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2010 NOV 19 P 1:04 MAYES PROPOSED AMENDMENT NO. 1

AZ CORP COMMISSION TIME/DATE PREPARED: November 19, 2010  
DOCKET CONTROL

COMPANY: Arizona Public Service Company AGENDA ITEM NO. U-27

DOCKET NO(S). E-01345A-10-0166  
E-01345A-10-0262

OPEN MEETING DATE: 11-22-10

Page 19, line 4 INSERT New Finding of Fact: "During the Special Open Meeting on the electric utilities' 2011 REST Implementation Plans, APS updated the Commission on the status of its utility scale projects, including Solana, the 250 Megawatt concentrated solar facility that was granted a Certificate of Environmental Compatibility ("CEC") by the Commission in 2008 and that was the subject of Decision No 70639. APS informed the Commission that it remains confident that Solana will achieve the necessary financing and permits required to move forward by the December 15, 2010 deadline set forth in the PPA that APS signed with Solana. However, APS also indicated that it has prepared a "Plan B" in the event that Solana does not proceed to financial close. According to that Solana procurement replacement Plan, APS would backfill the gap created by a potential Solana failure in the following manner: one-third would be procured from solar projects that were bid into the Company's most recent RFP; one-third would be procured from projects that have an existing CEC from the Commission; and one-third would be derived from utility-owned solar projects.

While the Commission remains hopeful that Solana will achieve all of its necessary financing and permits, we believe it is also important for APS to move forward with achieving compliance with the RES, and with the renewable energy provisions contained within the Company's recent rate case Settlement Agreement. Therefore, we will require APS to proceed with its proposed plan to backfill the 250 Megawatt gap that would be created by the loss of the Solana project in the event that Solana falls through, except that we believe that for the portion of its plan involving utility-owned solar, the Company should procure at least 25 Megawatts through its Powerful Communities Feed-in Tariff program over a three year period beginning in 2012. We are further of the view that APS should utilize the most recent price approved by the Commission for the FIT, and that the Company should make a proposal to the Commission for the appropriate FIT price for the 2012 through 2014 FIT projects in its 2012 REST Implementation Plan.

The Commission also believes that the Company should seek to recover the costs associated with this portion of the replacement procurement plan through the Company's Power Supply Adjustment mechanism in its next rate case, rather than through the RES adjustor mechanism, as power procured from wholesale renewable distributed generators is not readily distinguishable from any other form of power procured on the wholesale market.

Arizona Corporation Commission

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We believe that APS should begin its replacement procurement process within 30 days of any failure of Solana to meet the December 15, 2010 deadline contained within the Solana PPA and should file a statement with the Commission in its 2012 REST Implementation Plan, describing which non-FIT related projects have been chosen pursuant to its Solana procurement replacement Plan and this Order.”

Page 23, line 3, INSERT New Ordering Paragraphs: “IT IS FURTHER ORDERED THAT Arizona Public Service Company shall proceed with its proposed plan to backfill the 250 Megawatt gap that would be created by the loss of the Solana project, except that we believe that for the portion of the procurement replacement plan that holds utility owned projects, 25 Megawatts should be derived through the Company’s FIT (Powerful Communities Program) beginning in 2012 through 2014.

IT IS FURTHER ORDERED THAT the Company shall utilize the most recent price approved by the Commission for the FIT-related projects, and that the Company shall make a proposal to the Commission for the appropriate FIT price for the 2012 through 2014 FIT projects in its 2012 Implementation Plan.

IT IS FURTHER ORDERED that the Company shall seek to recover the costs associated with this portion of the replacement procurement plan through the Company’s Power Supply Adjustment mechanism in its next rate case.

IT IS FURTHER ORDERED THAT Arizona Public Service Company shall begin its replacement procurement process by January 15, 2011, if the Solana project does not meet the December 15, 2010 deadline contained within the Solana PPA, and shall file a statement with the Commission in its 2012 REST Implementation Plan proposal, describing which non-FIT projects have been chosen pursuant to its Solana procurement replacement Plan and this Order.

**Make all conforming changes.**

<b>THIS AMENDMENT:</b>		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____